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SUBJECT: BOSNIA - EUR/SCE DIRECTOR CHRIS HOH'S OCTOBER
16-20 VISIT

Classified By: Classified by DCM Judith B. Cefkin for reasons 1.4(b), (d)

¶1. (C) SUMMARY. During his October 16-20 visit to the Brcko District, Banja Luka, and Sarajevo, visiting EUR/SCE Director Christopher Hoh expressed concern about the current political stalemate, but pledged continued US support to help Bosnia move forward. While the economy has visibly improved in recent years, most interlocutors agreed that the political environment has deteriorated. Many, including OHR High Representative Miroslav Lajcak, stressed the need to combat corruption and politicians with links to organized crime figures. With HiRep Lajcak, Hoh expressed USG opposition to plans to supplement EUSR staff by hiring personnel from the EU Monitoring Mission. Given the failure of the reform process several interlocutors were concerned that the international community would give up on Bosnia, but were reassured to hear the US remains committed to robust engagement in Bosnia. END SUMMARY.

BRCKO GOVERNMENT A "NEST OF CORRUPTION"

¶2. (SBU) In Brcko District, Hoh heard conflicting perspectives from international and local interlocutors. Deputy Supervisor Gerhard Sontheim painted a bleak picture of political developments in Brcko since the 2004 election calling the government, "a nest of corruption." He said that the Office of the High Representative (OHR) is not yet ready to certify that Brcko institutions function effectively. Deputy Mayor Anto Domic, a Croat, claimed that Brcko is more advanced in many ways than the rest of BiH and insisted that Brcko should maintain its autonomy in the context of any future constitutional reforms. Deputy speaker Ivan Krndelj, also a Croat, said Brcko remains a positive example for the rest of the country but that it was too early for the international community to leave Brcko. Hoh assured him that the U.S. will stay engaged and, at this time does not support ending the supervisory regime.

DODIK FOCUSES ON ECONOMIC SUCCESSES

¶3. (SBU) During an October 17 meeting, RS Premier Milorad Dodik highlighted the RS's economic successes and told Hoh that the RS government is currently considering how to spend the 1.5 billion BAM (over one billion USD) in revenues from privatizations of the telecom and oil industries. He also praised USAID involvement in the RS, particularly a program focused on eliminating regulatory impediments to business. Dodik complained that larger political issues pushed by the international community detract politicians from

concentrating on the economy. He said that RS leaders are aware that there is no alternative to a European future, and "we will work to harmonize our institutions towards that goal." Dodik urged Hoh to "soften" the EU stance on police reform, so that BiH could sign a Stabilization and Association Agreement (SAA). Hoh said that the U.S. will continue to guarantee the Dayton accords and the existence of the RS within the Dayton framework. He reminded Dodik of the negative effects of his inflammatory rhetoric.

RADOJICIC ON POLICE REFORM

¶4. (SBU) On October 17, RSNA speaker Igor Radojicic told Hoh that the adoption of a comprehensive police reform model is all but impossible now, given the negative political atmosphere and the deep, irreconcilable differences between BiH leaders. Radojicic preferred a "more practical approach" involving the implementation of individual elements, such as a BiH-level forensics institute, that the parties can agree on now.

CAVIC AND MIKES CONCERNED ABOUT POLITICAL SITUATION

¶5. (SBU) Former RS President Dragan Cavic described his ongoing struggle with the leadership of his Serb Democratic Party (SDS). Cavic confirmed recent media reports that the SDS is considering ousting him from the party, because he released transcripts of conversations between ICTY Chief Prosecutor Carla Del Ponte and former RSNA speaker and SDS president Dragan Kalinic, that took place in Cavic's office. He said the party has been steadily radicalizing in recent

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years, and claimed that the people of the RS are tired of the "wartime fossils" in the SDS leadership.

¶6. (SBU) Constitutional law professor and deputy speaker in the RS council of peoples Miroslav Mikes, a Jewish member of the SNSD, told Hoh that he is, "completely disappointed with the situation in BiH," saying that, "society is much more divided than it was three to four years ago." He said that it is impossible to build a state when Bosniaks portray themselves as the only victims, and Serbs as the only aggressors. Foreshadowing things to come, Mikes said that the High Representative should start imposing more measures, in order to improve the functionality of the state and propel it on the path towards Europe.

EXPERIENCE OF AMERICAN BUSINESS REPRESENTATIVES

¶7. (SBU) Over lunch, representatives of American investors in the RS challenged Dodik's rosy views on the economy, saying that they have not noticed any economic upturn at the micro level. Kentrik representative Scoggins Berg praised the RS government, saying that the company is moving forward with several projects including a nurse exchange, the development of an emergency response system, and the rehabilitation of the Banja Luka airport. Nicholas Penny, Director of the Banja Luka Brewery, described being forced to retain a larger workforce than needed due to a privatization agreement and general opposition to change. Penny, however, praised VAT legislation, saying that it prevents tax evasion and has reduced financial irregularities to almost zero.

HIREP LAJCAK ON RUSSIANS, EUMM AND ANTI-CORRUPTION

¶8. (C) In a meeting with High Representative Miroslav Lajcak, Hoh expressed strong US support for OHR and the need for continued close consultation. Lajcak expressed appreciation for U.S. support and agreed it important for OHR and US to be on the same page. Lajcak lamented Russian opposition to the decisions imposed on October 19 and the apparent Russian

desire for international community inaction in Bosnia. Lajcak stressed that if we are serious about staying for the long haul, we must define OHR's mission and make the investment to accomplish it.

9 (C) Hoh raised the issue of supplementing the EUSR political section with personnel from the winding-down EU Monitoring Mission. Hoh made it clear that the USG opposes changing the PIC-agreed balance between EUSR and OHR, that the current political situation requires greater focus on OHR's Dayton priorities, and that additional personnel resources should go to areas such as the reconstituted OHR Crime and Corruption Unit. Lajcak said others in his office were pushing this initiative without his blessing and that he was ambivalent. He recommended voicing our displeasure about this to Brussels, which Hoh promised to do. Lajcak agreed on the importance of increased OHR anti-corruption efforts and asked us to support them in the upcoming PIC.

LAGUMDZIJA AND TIHIC

¶10. (C) In a meetings with SDP President Zlatko Lagumdžija and SDA President Sulejman Tihic, Hoh expressed deep US concern at the political stalemate in Bosnia and urged the party presidents to move Bosnia forward on the road to Euro-Atlantic integration. Lagumdžija blamed Dodik and Silajdzic for current political problems. He lamented that Silajdzic's calls for the abolishment of the RS have strengthened Dodik. He added that Silajdzic had radicalized Bosniaks by claiming the west has turned its back on them. Lagumdžija also emphasized the growing link between political party leaders and major organized crime figures. Hoh urged Lagumdžija to speak out and ensure his part played the role of constructive opposition.

¶11. (C) Tihic faulted Silajdzic and Dodik for blocking police reform and protecting organized criminals for economic gain. Tihic accused some of his own party members, and Islamic Community head Ceric, for undercutting his influence. Tihic lamented the radicalization of Bosniaks and reiterated his commitment to a tolerant, open, and multi-ethnic environment. Tihic said "if I am scared by the long beards and short pants of Wahhabis, I can only imagine how Croats and Serbs

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feel." In order to put things back on track, Tihic said the High Representative should enforce the full implementation of Dayton, including complete refugee returns, catching war criminals, and Annex IX implementation. Hoh stated that the IC would continue to apply pressure to get Bosnia back on the reform path, but urged Tihic to speak out more and weigh in with recalcitrant politicians.

DEFENSE MINISTER ON PROPERTY TRANSFER

¶12. (C) Hoh met with Minister of Defense Selmo Cikotic on October 19. Cikotic provided an update on defense reform implementation, which he evaluated to be progressing a successful pace. Cikotic noted two areas of concern: the transfer of defense properties from the entities of the state and the lack of readiness among other Bosnian institutions to undertake the necessary steps to integrate with NATO. Cikotic said he worried that the defense property working group charged with drafting the property transfer agreement might be an "excuse to not solve the problem," and that "there is no longer any more space to set this issue aside." Cikotic also noted that the MFA needed to assume substantially more responsibility in Bosnia's NATO integration process, but currently lacks the capacity or manpower to do so.

RELIGIOUS LEADERS

¶13. (C) In separate meetings Hoh discussed religious freedom,

refugee returns and property restitution with Cardinal Puljic and the Executive Staff of the Inter-Religious Council (IRC).

Cardinal Puljic highlighted some positive steps in the last few years, but complained of the failure to enact refugee returns, specifically of 220,000 Croats to the RS. Although many wished to return, lack of assistance funds, lack of job opportunities and infrastructure, and feelings of insecurity prevent Croat returns. Even in the Federation Puljic complained some Croats face discrimination in job seeking and social benefits. Puljic and Hoh agreed that police reform in which all citizens were protected equally by the police throughout Bosnia would help the return situation. IRC Council members stressed the need for the restitution of religious properties and continued dialogue, even if agreement cannot be reached on contentious issues. They added that the lack of steady funding from the State for religious institutions made religious leaders more dependent on piecemeal handouts from politicians.

COMMENT

¶14. (C) Chris Hoh's visit from October 16-20 came on the cusp of the failure of police reform and the resulting announcement by the High Representative of Bonn Powers impositions. Many interlocutors expressed frustration by the lack of political progress toward reforms and EU accession as well as fears that the international community would give up on Bosnia. Although they may not agree on who is culpable for Bosnia's political backsliding, all interlocutors were reassured at expressions of US support and our intention to stand by Bosnia until the project is complete. END COMMENT

¶15. (U) This cable has been cleared by EUR/SCE Office Director Christopher Hoh.
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